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The Effect of Information *Asymetry Financial Distress* and Cultural Characteristics on Profit Management with Litigation Risk as a Moderating Variables

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ABSTRACT: The purpose of this study is to analyse empirically the effect of information asymmetry, financial distress, cultural characteristics on earnings management and to determine whether litigation risk can strengthen or weaken the relationship of accounting information asymmetry, financial distress, cultural characteristics on earnings management. Sample in this determined by purposive sampling method, the method of taking a sample with some criteria specified. This study uses secondary data. Samples was 211, secondary data drawn from the pages of the Indonesia Stock Exchange (www.idx.co.id) dan www.sahamok.com the form of annual reports of companies . The data analysis method used is the analysis of Descriptive by using assistive Statistical Packages For Social Science (SPSS) . The results showed that accounting information asymmetry has no significant effect on earnings management, financial distress has no significant effect on earnings management, cultural characteristics have a significant positive effect on earnings management. Litigation risk strengthens the influence of Accounting Information Asymmetry on Earnings Management, Litigation Risk weakens the influence of Financial Distress on earnings management, Litigation Risk strengthens the influence of cultural characteristics on earnings management.

Keyword: Earnings Management, Accounting Information Asymmetry, Finan cial Distress, Cultural Characteristics , Litigation Risk

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INTRODUCTION

The income statement is often used by investors , because this report ca n evaluate past performance , provide a basis for predicting future performa nce, and help assess the risk or uncertainty of future cash flow achievement (Kieso, et *al* .: 2017). Good earnings quality illustrates how relevant character istics are reported in earnings, because it is used as a benchmark for decision making (Darmansyah, 2016).

Information obtained from financial statements cannot be taken for granted. There have been many cases related to the credibility of a financial report. K asus related to earnings management can be seen as follows: PT. Ki mia Farma Tbk. (Kompasiana, 2015) On September 30, 2002, it was revealed that the discrepancies in the financial statements of PT. Bank Lippo Tbk. which is reported to the JSE and to the public. The company recorded total assets of Rp 24 trillion and a net profit of Rp 98 billion. However, in its report to the JSE, management reported total assets of only Rp. 22.8 trillion and suffered a net loss of Rp. 1.3 trillion. In fact, both financial reports are acknowledged to have been audited.
PT. Kimia Farma Tbk. (Kompasiana, 2015) On December 31, 2001, Kimia Farma's management reported a net profit of Rp. 132 billion, but the Ministry of BUMN and Bapepam considered the profit to be unnatural. After a re-audit, on 3 October 2002 Kimia Farma's 2001 financial statements were restated, as evidenced by the former director of PT Kimia Farma Tbk. violated the net profit *mark up* on the financial statements of state-owned companies for the 2001 financial year.

The financial performance of PT . Garuda Indonesia (Persero), which managed to book a net profit of US $ 809 thousand in 2018, is inversely proportional to 2017 which lost US $ 216.58 million, reaping a polemic , (CNN Indonesia, 2019). PT. Cakra Mineral Tbk. (Beritalima, 2016) For more than two years, the directors of CKRA have falsely claimed that CKRA owns 55% of shares in Murui since August 2014, but it turns out that CKRA has never been registered as Murui's shareholder. Directors of PT. Cakra Mineral Tbk. (Boelio Muliadi) deliberately inflated asset values by falsely consolidating financial statements and exaggerating the value of paid-up capital so that investors could not make the right investment decisions and caused investors to suffer significant losses.

Of these cases, it can be said that although the company already *go publi c* is not no guarantee if profits are high have a high quality as well. The com panies listed in Indonesia Stock Exchange (BEI) to prepare financial stateme nts using the basis of a *ccrual* (Sutapa and Suputra, 2016). The basic advantageof *accruals* is that of the same time unit. However, the *accrual* basis *allows* management to freely determine the method of preparing financial statements as long as it is still in accordance with the applicable standards.

Earnings management can occur due to opportunities for managers who have flexibility in choosing an accrual-based accounting method (Veno and Sasongko, 2016). Management will choose certain methods to get profit according to their motivation (Hapsoro and Hartomo, 2016). The use of accounting methods deliberately chosen for specific purposes, such as maximizing the *utility* and value of the market the company to earn bonus w hich is great (Veno and Saso, 2016).

Research conducted by Dhaneswari and Widuri (2013) states that there is a manager's behavior acting for their own interests because managers have to carry heavy tasks that must be done to increase shareholder satisfaction.

Free trade can create new problems for companies as the realm of competition becomes wider, from only within the domestic area extending to the area between countries. The risk of the company's *financial distress* will be even greater. *Financial distress* (financial problems) is a problem that has received a lot of attention since the financial crisis in mid-1997 in Asia (Hapsoro and Hartomo, 2016). The condition of *financial distress* is the company's inability or unavailability of a fund to pay for obligations that have matured (Radifan and Yuyetta, 2015). Such conditions may allow management perform earnings management, in various ways, such as *income increasing, decreasing income, income income smoothing,* and others to be in the financial statements, earnings look good. If earnings management has occurred, the resulting financial statements will have low *earnings quality* .

The difference in interests between agent and principal can affect the quality of an earnings. Information asymmetry is considered the cause of earnings management (Veno and Sasongko, 2016). Especially if the company is in a state of *financial distress* . Management will take various actions and ways to maximize returns to investors.

The level of full disclosure of financial statements will present complete information related to financial information, so that between managers and shareholders there is no difference in information held and earnings management practices will also be lower. Conversely, if the level of disclosure of the financial statements presented is sufficient or incomplete,
This means that there is still an imbalance of information between agents and principals, so that the practice of earnings management will also increase. Litigation risk is a risk attached to a company that is likely to receive a legal petition from parties who have an interest in parties who feel disadvantaged. . If the litigation risk received by the company is greater, then the probability of earning management will be smaller, conversely, when the litigation risk accepted by the company is lower, the earnings management practices that are carried out will also be higher.

Research on management earnings mostly focused on factors of finance and supervision, so the authors are interested to test the cultural factors that may affect the man ajemen profit in a company. One of the important issues in governance that managers, directors and shareholders face in modern companies is the gender composition, race, and board culture (Carter, 2000) . Haniffa & Cooke (2002), stated that cultural factors are important because the traditions of a nation affect people within the company which may explain things such as the possibility of profit manipulation. Ind onesia as a country that has many tribes and customs, coupled with the influ ence of globalization, can certainly affect the style and habits of a manageme nt. Indonesian culture is known for its good ethics, likes a harmonious life, has high religiosity and respects older people, enabling them to provide positive energy and good harmony in the company.

In this study, researchers used the variable asymmetry of *financial distress* information and cultural characteristics as independent variables, liti gation risk as a moderating variable, earnings management as a dependent variable. Researchers also used 4 control variables, namely: *size* , profitabilit y, *leverage* and *growth* .

The purpose of this study is: This is to analyze empirically the effects of information asymmetry , Financial Distress, Cultural Characteristics of the profit as well as for mengaalisi manajamen whether litigation risk can streng then or weaken the relationship asymmetry of accounting information, financial distress, Kearakteristik management culture on earnings.

The author hopes that this research will contribute and provide benefits: Theoretical benefits: As a reference material to add knowledge related to information asymmetry, *financial distress* , cultural characteristics, litigation ris k and earnings management. The benefits of PraktismB for investors as additional information for consideration for companies in determining policies relating to earnings information. Management is expected to provide a dditional information for management in increasing positive perceptions of users of financial reports on the quality of company earning.

LITERATURE REVIEW

***Signaling* Theory**

Signaling theory has been proposed by many researchers, including Spence in 1973. Investing in the capital market is a decision that has many uncertainties. Investors interpret the uncertainty like a signal. Interpretation depends on expectations about the signal. In this case, financial reports can be interpreted as good news or bad news . Before making investment decisions, investors need important information related to what is needed. This theory emphasizesthe importance of this information. Bhattac harya (1979) also argued about signaling theory, he explained that the signaling theory emerged because companies had the urge to provide financial statement information to external parties . Management voluntarily reports information that can be considered by investors, although there is no obligation to report it.

Financial distress can occur in various companies and can be a marker / signal from bankruptcy that may be experienced by the company(Dwijaya nti, 2010). This prediction of *financial distress* is very important for various parties. This is a concern for various parties because by knowing the condition of a company that is experiencing *financial distress* , the various parties can make decisions or actions to improve the situation or to avoid problems. Research by Almilia and Kristidaji (2003) states that various parties with an interest in predicting the possibility of *financial distress* are le nders or creditors, investors, regulators or regulatory bodies, governments,a nd auditors.

Agency Theory

Agency theory is a theory that explains the relationship between shareholders *(principal)* and managers *(agent)* that is established because of a contract. Holders of shares domiciled as the owner of the company, while a manager as the manager of the company. The originators of agency theory were MC Jensen and WH Meckling (1976). According to him, the relationship between agent and principal arises from the existence of a contract between the principal who employs the agent to perform a service and also leaves decision making to the agent, and in the end creates agency problems. This is due to a conflict of interest from information asymmetry b etween the principal and the agent. As has been explained in the previous *sig naling* theory , there is information asymmetry between the principal and th e agent. Management who has certain interests will tend to prepare earnings reports that are in accordance with their objectives and not for the Interests of the principal (Arizona, *et. Al.,* 2017). This condition requires a control system so that the interests of the two parties do not collide with each other. One way is by implementing *good corporate governance* mechanisms . T his mechanism can help companies produce quality financial reports.

Earnings Management

Investors pay great attention to earnings quality and report quality for the purpose of contract investment decision making. Investors and creditors in making decisions ultimately not only pay attention to high profits, but also the persistence of earnings information in financial reports (Paradina and da Tarmizi's Research Results , 2015). Profit is said to be of quality if the results of accounting profit are close to economic profit. Changes in accounting profit are expected to reflect changes in the company's economy. Thus, accounting profit is still beneficial for investors who may have more interest in economic profit (Kurniawati, 2014). Different methods and company policies can result in different levels of profit, resulting in errors in decision making by *stakeholders.* If profit is causing the error decision-making, such profits said to be m emiliki low quality. Therefore, investors, creditors, government, employees, and other stakeholders must be able to measure the quality of an earnings.

Earnings quality is closely related to earnings management. Motivation to meet profit targets can make companies ignore good business practices so that earnings quality decreases (Kieso, *et. Al . :* 2017). Healy and Wahlen (1999) say that earnings management is an act of deceiving and deceiving *shareholders* because managers know more information about the company and act to maximize their own interests .

Sulistyanto (2008) in Paradise (2013) explains, there are several reasons manager earning management, among them: Bonus Motivation , Motivation Contractual Others , Motivation Political , Motivation Taxes , replacement CEO , and Motivation Market Capital . According to Scott (2003) in Sutapa and Suputra (2016), m anagement profit can be done with some form of, among others: Taking a bath , Income minimizations , Income smoothing .

Asymmetry of information is a situation where the manager has access to more information on the future prospects of the company than the shareholders (owners) and *stakeholders* other (Veno and Saso, 2017). The relationship between the holders of shares and the manager may cause the asymmetry of information because managers have the information and know more about the state of the company than the shareholders (Wardani and Masodah, 2011). The greater the information asymmetry that occurs, the higher the probability of it occurring earnings management (Barus and Setiawati, 2015).

This study measures information asymmetry using a *bid ask spread* proxy as used in the research of Wardani and Masodah (2011), Dhaneswari and Widuri (2013), Putra, *et. al.* (2014), Wicaksono and Harthoro (2014), Wicakso no (2015), Sutapa and Suputra (2016), and Veno and Sasongko (2016) to measure information asymmetry between management and shareholders .

Financial Distress

The business world is full of uncertainty. There are many risks that must be faced, one of which is the risk of bankruptcy. In Dwijayanti's (2010) research, bankruptcy (company liquidation / closure / insolvency) is usually marked by *financial distress* , which is a condition in which the company is weak in generating profits or tends to experience deficits . There are two ways that can be used to predict *financial distress* to bankruptcy (Dwijayanti, 2010), by analysis of financial ratios, Ratio Analysis of Financial is a way that is most often used to predict *financial distress ,* including: Ratio Liquidity (*Liquidity Ratio) ,* ratio Leverage *(leverage ratio*) Coverage ratio (*Coverage ratio),* ratio or ratios Activities Activities (*Activity ratio*) , ratio or ratios Profitability Profitability (*Profitability ratio*) , cash flow analysis. One of the financial ratio analyzes (fundamental analysis) that is often used to analyze the health of a company is the ratio analysis using the Altman Z-score.

Cultural Characteristics

Cultural characteristics become part of the *board diversity. Diversity* (diversity) can be defined as things are different in the different. *Board diversity* is a div ersity that exists in the membership composition of the board of directors based on various things such as gender, ethnicity, expertise, and so on. In the corp orate governance literature , *board diversity is* often said to increase the effectiveness of the board and *monitoring* , and will improve company perfor mance . O'Sullivan & Tuch (2007) dalamWicaksana (2010) m enyatakan, BOD spread and balance can be significantly improve the performance of the company. If perceptions, views and background of board members are relatively homogeneous, then there is the possibility of large -strategy strategipembuatan decision darimekanisme governance governance of the company will be *single-minded* , predictable or not flexible. It is believed that a person's cultural background and nationality influence his habits in worki ng and running the company. Indonesia known to me have a good culture and ethics, respect is encouraging possibilities are great for the company wh ich is led by the Indonesian people tend to do business with more ethical.

Litigation Risk

Litigation risk is one of the factors that can have an impact on earnings management. It is hoped that strict legal regulations will be able to minimize actions taken by companies, such as earnings management. The result of obtaining a legal petition from a party that has an interest in a company that feels aggrieved is called the risk of litigation. The interested parties include investors, creditors and policy makers (regulators). Litigation risk can also occur due to an error by a publicly traded company in reporting its financial condition.

Development Hipotesis

The Effect of Information Asymmetry on Earnings Management

The manager's actions in performing earnings management are caused because this freedom is misused for certain interests (Veno and Sasongko, 2016). Naturally, managers take advantage of the information asymmetry to take earnings management actions. In the study conducted Veno and Saso (2016) influential information asymmetry significantly increase the value of management profit *Short Term Discretionary Accrual* (STDA)andsignificant information asymmetry effect of lowering the value of earnings managemen t *Long Term Discretionary Accrual* (LTDA). In research conductedby Wardani a nd Masodah (2011), Dhaneswari and Widuri (2013), Putra, *et. al.* (2014), Wica ksono and Hasthoro (2014) and Wicaksono (2015) show that information asymmetry has a positive and significant effect on earnings management. Th is can occur because the information held by the management is great than *s takeholder* another, so that management can freely use the methods of accoun ting are different for certain purposes. Based on the description above, the following hypothesis can be proposed :

Ha 1 : Information asymmetry has a significant positive effect on earnings management.

The Effect of *Financial Distress* on Earnings Management

In Darmansyah study (2016) *of financial distress* affects the quality l Repor ts Financial. It is can be seen from the proxy profitability, *leverage* and liquidity which shows the performance of the company, which, although the company can survive life in the long term but it should go bankrupt too within a short, thus affecting the *prudence* of accounting.
The results of the research Warianto and Rusiti (2014) is a variable *leverage* ef fect significantpositive towards *discretionary accruals* , meaning if getting gre at *leverage* of the company, management of the profits will be increasingly hi gh, while the variable liquidity significant negative effect on *discretionary acc ruals* , means the greater the liquidity of the company , the quality of earningswill get higher. In line with research by Risdawati and Subowo (201 5) stated that capital structure (*leverage*) and profitability have a effect on ea rnings quality . The results of the first model study show that leverage and financial distress simultaneouslyhave a positive and significant effect on earnings management in banking companies in Indonesia with a coefficient of determination (R2) of 0.1243 or 12.43%, Harahap Research, Anugrah Iman (2017) Ha 2 : *Financial distress* has a significant positive effect on earnings management.

Effect of Cultural Characteristics on Earnings Management

Penelitian conducted by Haniffa & Cooke (2002) who find that the directors w ere dominant berkomposisi Malay culture was found to have a higher level to provide voluntary disclosure (*voluntary disclosure*) and thus may have less tendency to manipulate earnings. D ith the culture of oriental strong, high reli giosity and values of decency that exist in Indonesian culture is expected to reduce possible fraud in obtaining profit employers. So that the research discu sses specifically the influence of Indonesian culture at the ranks of the board of directors and the audit committee on earnings manipulation. So that the hypothesis made is Ha 3 : Cultural characteristics have a significant positive effect on earnings management

The Effect of Litigation Risk in Moderating the Effect of Information Asymmetry on Earnings Management

Conflicts of interest that occur between company owners and managers can lead to information asymmetry. Management as company manager knows more and can more easily access company information. As a result, agents have the opportunity to manipulate figures and information about company performance. In the end, the agent does not reveal the true information about the condition of the company to the principal, especially if the information becomes an indicator to measure the agent's performance. Regarding litigation risk, management will try to cover up or tend to hide if it has a high level of litigation risk in the company. Management tries not to lose a source of funds for the company, thus encouraging reporting that can attract the attention of funders (Laux and Stocken, 2011).

Ha 4 : risks in Litigation mem strengthen the relationship between the asymmetry of information on earnings management .

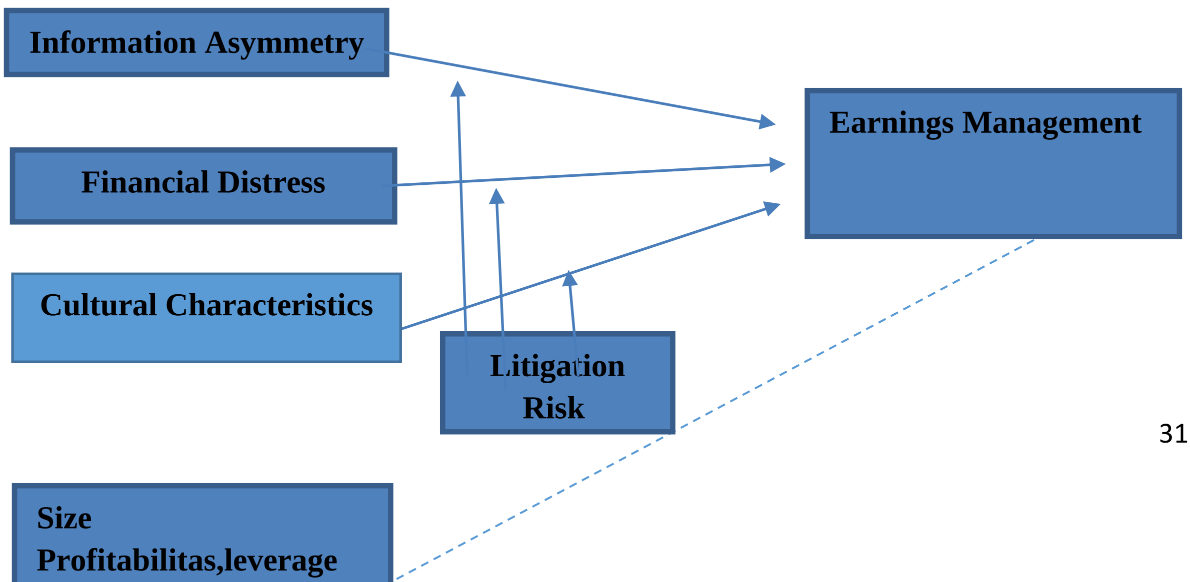
The Effect of Litigation Risk in Moderating the Effect of *Financial Distress* on Earnings Management

Earnings management actions are based on the various objectives and purposes contained therein. Earnings management actions can not be separated from managers and the makers of the company's financial statements, by tampering with the data and accounting methods used. The problematiccompany's financial condition can trigger financial difficulties. The level of severe company financial difficulties can encourage management to perform earnings management. Managerial share ownership can align the interestsof shareholders and managers, this will affect earnings management, b ecause the ownership of a manager will determine the policy and decision ma king on the accounting methods applied to thecompany. Litigation can arise as a result of withholding negative information or bad news by management. One of the ways management can do this is through earnings management. H a5 : Litigation Risk mem strengthen the relationship between *financial distress* with earnings management

The Effect of Litigation Risk in Moderating the Effect of Cultural Characteristics on Earnings Management

Background of board members are relatively homogeneous, then there large -strategyStrategist of making a decision on the mechanism governance of the company will *single minded* , predictable or not flexible. Cultural back ground and nationality of a person believed to influence d natural habit of working and running a company. Indonesia is known to have a good cultureand ethics, respect is encouraging possibilities are great for the comp any which is led by the Indonesian people tend to do business with more et hical. Ha 6 : Litigation Risk mem strengthen the relationship between the ch aracteristics of the culture to earnings management

Conceptual Framework



RESEARCH METHODS

Sample Determination Method

Sampel in this determined by *purposive sampling* , method of taking a sample with some criteria specified. The criteria of sample used, namely: Companies listed on the Stock Exchange , the Company provides a complete financial reports of the year 201 5 -2019. Companies that use the rupiah currency in their financial statements . The company experiences financial distress and litigation risk. This study uses secondary data. Sample s p eneliitian was 211, secondary data drawn from the pages of the Indonesia Stock Exchange (www.idx.co.id) d an www.sahamok.com the fo rm of *annual reports* of companies .

Data Analysis Method

The data analysis method used is the analysis of deskriftif , descriptive statistics were used in this study include the mean, median minimum, maximum, and *standard deviation* . In addition, in the descriptive analysis, a description table of each research variable is also presented .

Classical assumption test consisting of normality test, multicolinearity test, heterocedacity test, autocorrelation test. Testing of this hypothesis usin g the tools *of Statistical Packages For Social Science* (SPSS), namely the analysis of regression linear multiple, regression test simultaneously (test F), test the partial regression (T test) analysis of determination coefficient (*adjusted* R^2) and the absolute difference value test . S tatistik were used in the analysis of the data is a multiple linear regression model with the following equation:

ML = α + β 1 AIA + β 2 F D + β 3 KB + β 4AIA * RL | + β 5 | FD * RL + β 6 | KB * RL + β 7Size + β 8Prof + β 9UP + e

Description: ML is Earnings management. A is a constant, β 1 , β 2 , β 3, β 4, β 5 β 6, β 7 , β 8 β 9 is the regression coefficient, e is the error, AIA is the Variable Aismetry of Accounting Information, FD isFinancial Distress, KB is Cultural Characteristics, RL is Risk Litigation Size is Company Size, PROF is Profitability Ratio and UP is the age of the company.

Operational Research Variables

The variable in this study are: The dependent variable earnings managemen t, variable indevenden Aismetri teridiri of Accounting Information, Financial Distress, Cultural Characteristics, Litigation Risk moderating variable and the control variable is the size of the company, profitability and Age Compa ny independent variable.Earnings Management According to Schipper (198 9), earnings management is an intervention activity with a specific objective in the process of external financial reporting , to obtain some of the benefits of the Asymmetry of Measurement Accounting Information in this study using stuven calculations (2010) with the formula:

Revenue Model $\Delta ARit = \alpha + \beta 1\ \Delta R1\_3it + \beta 2\ \Delta R4it + e$

Conditional Revenue Model $\Delta ARit = \alpha + \beta 1 \Delta Rit + \beta 2 \Delta Rit \times SIZEit + \beta 3 \Delta Rit \times AGEit + \beta 4 \Delta Rit \times AGE\_SQit + \beta 5 \Delta Rit \times GRMit + \beta 6 \Delta Rit \times GRM\_SQit + e$

Accounting Information Asymmetry is an imbalance of information held by company management and company shareholders. Management of the company has information that more and more detail about the prospects and risks of the company compared with the information held by the shareholders. Formula used SPREADD = A ((aski, t - bidi, t) / ((aski, t + bidi, t) / 2 x 100%

Financial Distrss

Financial Distress is a phenomenon that shows a downward trend in a company's financial performance. Usually, *financial distress* is the initial stage before bankruptcy occurs. M ccording to experts, such as Brigham & Daves, the definition of *financial distress* is a condition of financial difficulties began when the company was unable to pay its liabilities (debt) maturing. Darsono
& Ashari also stated that *financial distress* is a phenomenon in which p ompa ny is no longer able to pay the debt so that it is this which led to the case of bankruptcy. Formula used

$Z = 1{,}2X1 + 1{,}47X2 + 3{,}3X3 + 0{,}60X4 + 1{,}05X5$

Cultural Characteristics

Cultural Characteristics *d* nature of research is using a model developed by Rahman and Ali (2006), where the measurement of race is used as a representative of the culture in this study recognized but the influence of racial bias can be significant in a multi ethnic society like Indonesia. Using m easurements: A comparison between the number of directors of Indonesian nationality with a total whole D ireksi

Litigas Risk

Juanda (2007) defines that litigation risk is a risk inherent in the company that allows the threat of litigation by parties who have an interest in the company who feels aggrieved. The parties with an interest in the company include creditors, investors and regulators.

The measurement of litigation risk uses several indicators that can lead to litigation, namely the variable size of the company which is a proxy for political risk and the variables of solvency and liquidity, both of which are proxies of financial risk (Zuhriyah, 2017).

Natura log of total assets + (non-current debt / total assets) + (current debt / current assets)

Control Variable Size , Firm Size = Log (Total Asset)

ROE profitability = net profit after tax / shareholder equity

Company Age

RESULTS AND DISCUSSION

Classical Assumption Test Results

Normality Test: The P-Plot graph shows data that is around the diagonal line and follows the direction of the diagonal line so that the data is normally distributed.

Herskedasticity Test Results: The Scaterplot graph shows that in the data because of the scattered points in the study, there was no heter-codasticity, there was no heter-plasticity above and below the number on the Y-axis and there was no clear pattern

Multicollenearity Test Results

Table 1 .. Multicollinearity Test Result

Variable	Tolerance	VIF	Information
Accounting Information Asymmetry	0.845	1.183	Multicolinearity does not occur
Financial Distress	0.828	1.208	Multicolinearity does not occur
Characteristics of Nudaya	0.972	1.029	Multicolinearity does not occur
SIZE	0.975	1.026	Multicolinearity does not occur
Profitability	0.610	1.639	Multicolinearity does not occur
Company Age	0.594	1.684	Multicolinearity does not occur

Source: Data processed (2021)

The table above shows that the data does not experience multicollinearit y because the tolerance value for all variables is more than 0.10 and the VIF for all variables is less than 10.00

Multiple Linear Regression Test

Multiple linear regression is a test used to determine how the influence of one or more independent variables on the dependent variable.

Table 2. Results of Multiple Linear Regression Test

Variabel	Koefisien Regresi	t	Sig.
Konstanta		-.363	.717
AIA	-.044	-1.038	.300
FD	.003	.071	.943
KB	-.875	-4.402	.000
AIA *Rl	.658	7.532	.000
FD *Rl	-.103	-2.070	.040
KB *Rl	.431	2.648	.009
SIZE	-.009	-.244	.807
Profitabilitas	-.142	-2.913	.004
Umur Perusahan	.867	18.089	.000

Sourc : Processed data (2021)

The value of the coefficient of determination or adjusted R Square in this research model is 0.719 or 71.9%, which means that the ability of the variable accounting information asymmetry, financial distress, cultural characteristics , litigation risk, firm size, profitability and company age affects earnings management is 71.9%. while the remaining 28.1% is influenced by other variables not included in this study.

From the table above, it can be interpreted as follows :

Hypothesis test

The regression coefficient of the Accounting Information Aismetry variable (AIA), the value of the regression coefficient is -0.044 which indicates that if the Accounting Information Aismetry variable increases by 1%, the value of earnings management will decrease by 0.044 , with a significance level of 0.300 > 0.05 so that it does not have a significant effect on the Accounting Information Asymmetry variable on earnings management so that the hypothesis is rejected

The financial distress regression coefficient (FD) is 0.003, which indicates that if the Financial Distress variable increases by 1%, the value of earnings management will also increase by 0.003 , with a significance level of 0.943> 0.05 so that the financial distress variable does not have a significant effect on earnings management , so the hypothesis is rejected.

The regression coefficient of Cultural Characteristics (KB) regression coefficient is -0.875 which shows that if the variable of cultural characteristics increases by%, the value of earnings management will decrease by -0.875. The significance value of 0.000 <0.05 so that there is a positive influence of Cultural Characteristics on earnings management, so the hypothesis is accepted.

The multiplication of accounting information aismetry with litigation risk yields a positive beta of 0.658 with a significance level of 0.000 <0.05, which means that the moderating variable of Litigation Risk strengthens significantly the effect of accounting information asymmetry on earnings management. The n the hypothesis is accepted

Multiplication of Financial Distress with Litigation Risk results in beta -0.103 with a negative value with a significance of 0.040 <0.05, which means that the moderating variable of litigation risk significantly weakens the effect of Financial Distress on Earnings Management. Then the hypothesis is accepted

The multiplication of Cultural Characteristics on Litigation Risk results in a positive beta 0.431 with a significance level of 0.09 <0.05 which means that the moderating variable of Litigation Risk strengthens significantly the influence of Cultural Characteristics on Profit management. Then the hypothesis is accepted.

Discussion

Information asymmetry is where an agent has more information about the company and its prospects in the future than the principal. This information is considered as one of the reasons for the occurrence of earnings management practices. Based on the results of this research, information aismetry has no significant effect on earnings management. This means that companies in Indonesia, especially manufacturing companies, have implemented good corporate governance by applying transparency and openness to all company management, the principal.

The results of this study indicate that financial distress has no effect on earnings management. This means that the higher or lower the level of negative net income experienced by the company during the current year has no effect on earnings management. This shows that when the company's net income is negative it does not affect management to carry out earnings management because investors pay attention not only to net income, but also other factors such as working capital, good corporate governance (GCG), corporate social responsibility (CSR) or other factors .

In the results of this study that cultural characteristics have a significant effect on earnings management, this can explain that cultural characteristics factors greatly influence the actions of a person in carrying out earnings management. By upholding cultural values as well as maintaining the existing norms and maintain cultural values oriental da p at control / minimize act of earnings management. Should the economic globalization with its free entry of foreign culture into Indonesaia we can maintain and preserve the cultural niilai we emiliki and can provide voluntary disclosure (*voluntary disclosure*) is higher, thus may have less tendency to manipulate earnings .

In the results of this study , litigation risk can strengthen the influence of accounting information assimilation on earnings management . Regarding liti gation risk, management will try to cover up or tend to hide if it has a high level of litigation risk in the company. Management tries not to lose a source of funds for the company, thus encouraging reporting that can attract the attention of funders (Laux and Stocken, 2011).

In the research that litigation risk could undermine relations Financial Distress on earnings management , this could explain that k epemilikan stock of managerial can align the interests of shareholders with the manager it will affect earnings management, because the ownership of a manager will also determine the policy and decision-making against the accounting methods applied to the company. Litigation can arise as a result of withholding negative information or bad news by management. One of the ways management can do this is through earnings management.

In the results of this study, litigation risk can strengthen the influence of cultural characteristics on earnings management with the presence of cultural characteristics being part of the *board diversity* (diversity). It is a diversity that exists in the membership composition of the board of directors which is depicted in various ways. These factors can affect the effectiveness of the board in monitoring and will improve performance. A person's cultural and national background can influence his / her habits in working and running the company. Especially in carrying out earnings management actions.

CONCLUSION

Based on the results of the analysis of the influence of the variables Aismetry of Accounting Information, Financial Distress, Cultural Characteristi cs and the variable Risk of litigation as moderating variables, it can be concluded: Accounting Information Asymmetry has no significant effect on earnings management, Financial Distress has no significant effect on earnings management, Cultural characteristics has a significant positive effect on earnings management. Litigation risk strengthens the influence of Accounting

Information Asymmetry on Earnings Management, Litigation Risk weakens the influence of Financial Disters on earnings management, Litigation Risk strengthens the influence of cultural characteristics on earnings management.

The limitation in this study is that the research sample is only 211 so that the next researcher can increase the number of research samples by extending the research year or increasing the number of samples with different industrial sectors

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